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NRO REVIEW COMPLETED

22 NOV 1963

MEMORANDUM FOR: [REDACTED] NRO Comptroller

SUBJECT : Request for Additional Funding--Program B  
Budget for Photographic Material and Processing

REFERENCE : Memorandum from NRO Comptroller to  
Colonel Jack C. Ledford, Director, Program B,  
NRO, dated 25 October 1963, Subject: Same as  
above

1. Reference is made to your memorandum of 25 October on the above subject.

2. Pursuant to the suggestions set forth in your memorandum, a further review of the Eastman Kodak Company's FY-64 estimate for performance of Contract No. [REDACTED] has been made. With reference to the conclusions stated in subparagraphs 1 through 6 of your memorandum, our findings are set forth in the attachment.

3. It is our conclusion that the Eastman Kodak Company's revised proposal is fair and reasonable for performance of Contract No. [REDACTED] for the period 1 July 1963 to 30 June 1964. It is, therefore, requested that [REDACTED] withdrawn from certification as to availability, be made available for obligation within the second half of FY-64. To proceed at a lesser contractual level is considered by us to be a frustration of the terms of our contract with Eastman Kodak and of such serious consequence as to necessitate an immediate re-examination of the Government/Agency relationship to this firm.

[REDACTED]

JAMES A. CUNNINGHAM, JR.  
Acting Director, Program B, NRO

Attachment - 1

Request for Additional Funding

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Approved For Release 2002/09/03 : CIA-RDP63-00313A000500150048-9

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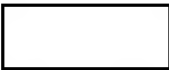


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**ATTACHMENT**

**REQUEST FOR ADDITIONAL FUNDING--PROGRAM B  
BUDGET FOR PHOTOGRAPHIC MATERIAL AND PROCESSING**

1. Our findings are outlined below:

a. Necessity for  laboratory personnel plus  engineering personnel:

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(1) In the first four months of FY-64, the EK processing facility handled all or part of 26 missions as follows:

Type M - 2  
L - 1  
J - 2


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I (conv.) - 2  
I (70mm) - 3  
I (Field Color) - 1  
I (Field Proc.) - 5  
26

This represents an average of six per month for the first third of the year.

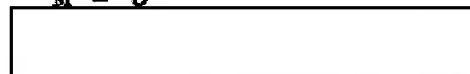
(2) Based on information supplied EK by  on 24 October, the following is the estimated schedule for the balance of FY-64:

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J - 9  
M - 5

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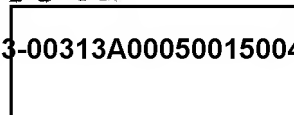
O - - no schedule provided  
I - 40  
66\*

Estimated Total

\*Assuming a 50% success factor for satellite missions, a possible total of 53 missions is predicted or an average of 6 1/2 per month during the remainder of FY-64. Therefore, no reduction in average facility activity is anticipated for the balance of FY-64. This does not take into account the probability that O will be operational before the end of FY-64.

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(3) Not only does the contract specify that the film shall be developed with minimum elapsed time after receipt, but all of the various Reports Control Manuals by their wording imply that speed is of the essence in preparing the initial priorities for evaluation and readout. Additionally, the contract specifies the requirement for a capability of 25,000 feet of negative film in two days and for 30,000 feet of duplicating film per calendar day. EK has stated, and our review confirms, that [ ] are the minimum number necessary to meet the contract requirements.

To the extent possible, during slack periods, the production people are used for work on other R and D contracts. Therefore, the total monthly charges to [ ] seldom equal the cost of [ ]

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From the [ ] EK has assigned [ ] technicians to [ ] These people provide complete around-the-clock photographic services for the entire operation, including ground photography for engineering record purposes, processing of motion pictures, both black and white and color, oscillographs of test records and also make prints and enlargements for evaluation and reports. This is in addition to processing the "take" from the various camera systems.

(4) In addition, since the [ ] engineers authorized in the contract for technical assistance are insufficient to meet the peak requirements placed on EK for such service, additional people are drawn from the complement of [ ] laboratory personnel.

(5) In summary, it is believed that more than [ ] would be uneconomic in the present facility; fewer would prevent EK from performing its assigned mission and would nullify the Government's intention, as indicated in the contract, to "utilize the laboratory at the present or higher level of effort thru 30 June 1966". Based on actual cost of base operations and Field Engineers pay for 14 weeks in FY-64, the contractor's estimate for laboratory/field engineering personnel was increased from [ ]

b. Overtime cost for laboratory personnel and high base pay average:

(1) As previously reported, the contract not only calls for processing with "minimum elapsed time", but the requirements of the entire intelligence community is such that both DIA and

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NPIC send photo interpreters to EK to speed up their reporting, and until such reports are submitted, no lessening of EK activity has been permitted. The overtime varies from mission to mission depending on length of mission and on time and day of arrival. Past experience shows that fifty percent of the missions arrive on "down time". Processing is on an eight-hour shift, five-day week basis, on an average normally double the total elapsed time in obtaining Priority I material due to the time lost in start-up and shut-down of the machines. When holidays or weekends intervene, the elapsed time could be three or four times that of present operations. These alternatives are considered as unacceptable.

(2) With regard to "high base pay", there appears to be a tendency to take the total cost of the contract divided by the number of employees involved and cite the resultant figure as the base salary. Actually, the contract cost represents, in addition to the salaries or wages, the entire cost of doing business and includes rent and/or depreciation; utilities, taxes, building maintenance, management and supervision, clerical and secretarial help, service departments, such as, medical, legal, and industrial relations, insurance, employee benefits and many other items. The resulting average wage of these employees is about

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(3) Based on the revised schedule of missions for FY-64, the number of successful missions forecasted is increased from 39 to 79 (26 to date plus 53 of 66 forecasted). By reason of this increase the contractor's overtime cost estimate for laboratory personnel has been increased from

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c. Travel and supplies for engineering personnel:

(1) Based on the contractor's experienced travel and supplies costs during the first 14 weeks of FY-64, it was found that the estimate of per man is excessive. This estimate has been reduced to per man.

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(2) The cost of supplies provided under the technical assistance portion of the contract covers the procurement and shipping of such items as non-photographic (i. e., not film or

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chemicals) supplies, miscellaneous devices, special tools or parts and is a function of the communities' needs and not determinable in advance. The same is true of travel for technical assistance which may vary from a one-day visit to an installation in Washington to three months overseas.

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d. Overtime costs for the [ ] support technicians; high base pay average and relocation costs:

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(1) Since the vehicle test program [ ] is on an expedited basis, the test results are desired immediately or the following day and it is frequently necessary to work overtime to provide such services. It was found, however, that the contractor's estimate for overtime was high and this has been reduced from [ ]

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(2) The "high base pay average" of [ ] mentioned in your memorandum, includes the costs of doing business as pointed out in b(2) above. The actual base pay average is [ ] per man excluding Overhead, G&A Expense and Profit.

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(3) The contractor's estimate for relocating personnel and their families [ ] for permanent assignment to [ ] was found to be low based on actual costs incurred to date, and, therefore, was increased from [ ]

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e. Consolidated laboratory operating repairs and maintenance costs: A review of the actual cost of this item for 14 weeks of FY-64 indicated that the contractor's estimate was high and has been reduced from [ ]

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2. The review of Eastman Kodak Company's overall estimate for performance of Contract No. [ ] was made by both parties (NRO and Program B) as an earnest endeavor to reduce costs in line with the Alternate Program set forth in Attachment #2 to Memorandum [ ] dated 6 September 1963, from [ ] and the suggested areas of reductions stated in your memorandum of 25 October 1963.

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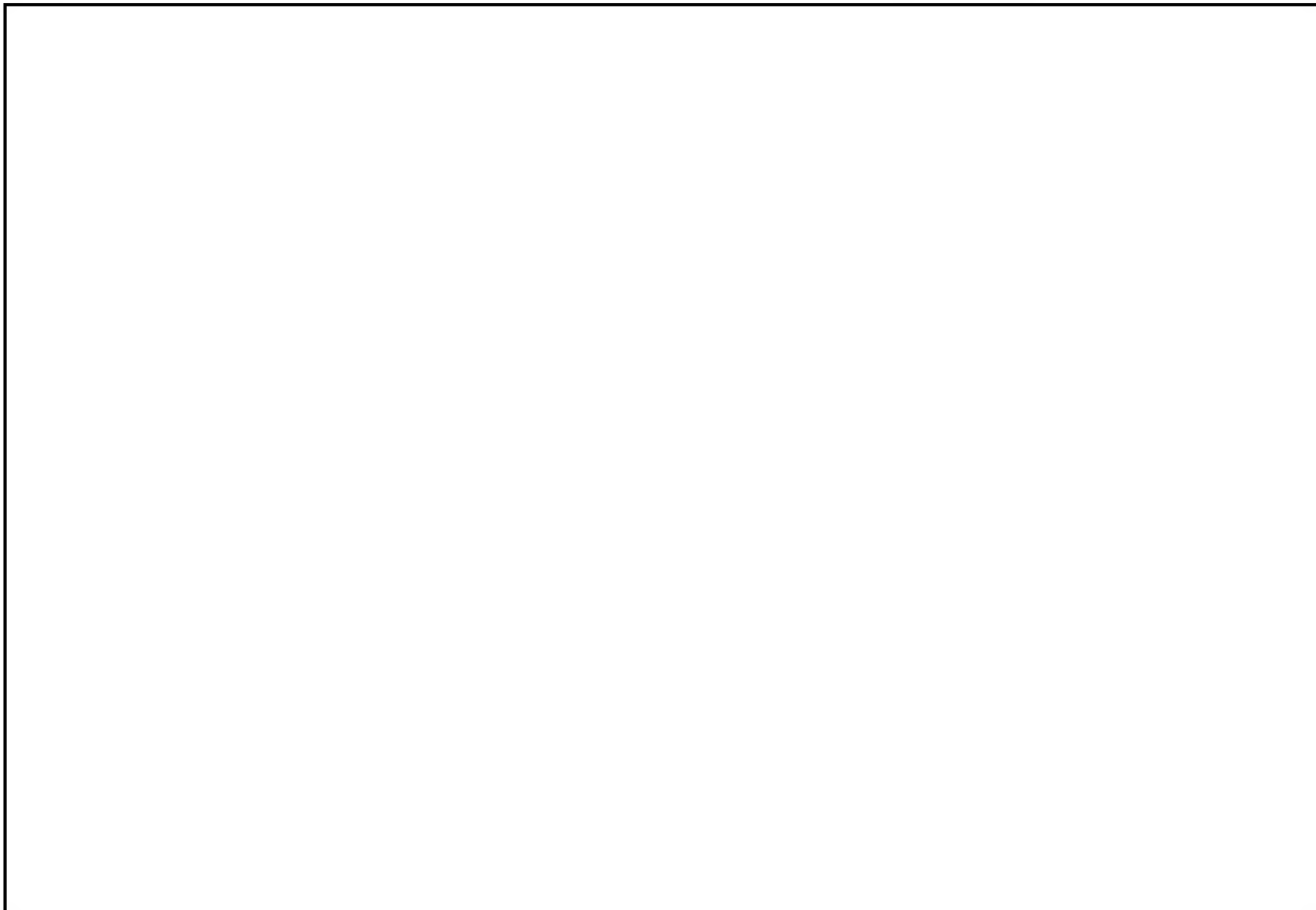
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3. The Eastman Kodak Company's revised proposal, which is now based on 14 weeks of actual cost experience in FY-64 and revised mission schedules, is summarized below together with the NRO Program, for comparative purposes:

<u>NRO</u> <u>Program</u>	<u>Revised</u> <u>EK</u> <u>Estimate</u>
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